



STATE OF DELAWARE  
**PUBLIC SERVICE COMMISSION**  
861 SILVER LAKE BLVD.  
CANNON BUILDING, SUITE 100  
DOVER, DELAWARE 19904  
TELEPHONE: (302) 736-7500

MEMORANDUM

June 16, 2021

TO: The Chairman and Members of the Commission

FROM: Joshua Bowman, Public Utility Analyst

SUBJECT: IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY, INC. FOR AUTHORITY TO IMPLEMENT A DSIC RATE FOR NATURAL GAS DISTRIBUTION EFFECTIVE JANUARY 1, 2020 PURSUANT TO 26 DEL. C. § 315 (FILED NOVEMBER 26, 2019) – PSC DOCKET NO. 19-0791

IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY, INC. FOR AUTHORITY TO IMPLEMENT A DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC) RATE FOR NATURAL GAS DISTRIBUTION EFFECTIVE JULY 1, 2020 PURSUANT TO 26 DEL. C. § 315 (FILED MAY 28, 2020) – PSC DOCKET NO. 20-0345

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On November 26, 2019, Delmarva Power & Light Company ("Delmarva" or the "Company") filed with the Delaware Public Service Commission ("Commission") an application to increase its Distribution System Improvement Charge ("Gas DSIC Rate") from 3.12% to 3.77% with an effective date of January 1, 2020. This was based on net additional plant of \$19,720,090 placed into service between May 1, 2019, and October 31, 2019, along with an associated semi-annual depreciation expense of \$90,645.

On December 12, 2019, the Commission entered Order No. 9513, opening Docket No. 19-0791 and approving Delmarva's request to increase its Gas DSIC Rate, subject to Commission Staff's ("Staff") annual audit and review to be performed based on the 12-month period ending December 31, 2020.

On February 21, 2020, Delmarva filed an application with the Commission in PSC Docket No. 20-0150 for an increase in natural gas distribution base rates.

On March 18, 2020 the Commission entered Order No. 9563, which suspended the proposed increase to base rates pursuant to the Commission's authority under 26 *Del. C.* § 306(a)(1). Order No. 9563 also approved, pursuant to 26 *Del. C.* § 306(b), Delmarva's statutory right to place into effect, on an interim basis, a rate increase of \$14,635,650, effective September 21, 2020, subject to refund. Further, pursuant to 26 *Del. C.* § 315(b)(9), the Commission ordered that the Company's Gas DSIC Rate be reset to zero effective on September 20, 2020 (i.e.; one day before the temporary base rates became effective).

On May 28, 2020, Delmarva filed an application to increase its Gas DSIC Rate from 3.77% to 6.31%, with an effective date of July 1, 2020. This increase was not based on any new plant; rather, it was solely based on an under-collection adjustment as a result of Delmarva's 2019 Gas DSIC audit and review.

On June 17, 2020, the Commission entered Order No. 9609, opening Docket No. 20-0345 and approving Delmarva's request to increase its Gas DSIC Rate, subject to Staff's annual audit and review to be performed based on the 12-month period ending December 31, 2020.

On September 20, 2020, Delmarva reset its Gas DSIC Rate to zero, in accordance with PSC Order No. 9563.

Between March and May of 2021, Delmarva began providing information for Docket Nos. 19-0791 and 20-0345, as requested, and Staff conducted the audit and review of the Gas DSIC Rates. The audit consisted of the procedures utilized for companies undergoing annual DSIC Rate audits. The audit concentrated on the three major components of the DSIC Rate; namely, Rate Base, Rate of Return, and Depreciation.

Findings for PSC Docket No. 19-0791: Effective Period January 1, 2020 – June 30, 2020

Staff reviewed a sampling of customer bills from the effective time period to determine if the billing accurately reflected the Gas DSIC Rate component. No discrepancies were found.

The semi-annual Gas DSIC revenue requirement for this Docket was \$2,118,965. During this Docket's effective time period, the Company collected \$1,979,033 in Gas DSIC revenues.

Staff then reviewed the Rate Base Components of the Gas DSIC Rate calculation. The plant additions were reviewed for conformity with statutory requirements. Plant additions were traced by project and by account and were reviewed to ascertain whether appropriate expenditures were included in the Rate Base components of the Gas DSIC Rate. Staff believes that the plant additions portion of the Gas DSIC Rate calculation are accurate.

Finally, Staff tested the Semi-Annual Depreciation Expense component of the Gas DSIC Rate. The Company's calculation of total depreciation comported with the amount posted to the general ledger, and the rates were the same as those approved by the Commission.

Therefore, Staff recommends that the Gas DSIC Rate of 3.77% in effect from January 1, 2020 through June 30, 2020, be approved as final.

Findings for PSC Docket No. 20-0345: Effective Period July 1, 2020 – September 20, 2020

Since there were no new plant additions associated with this Docket, Staff's review was primarily focused on reviewing a sampling of customer bills from the effective time period to determine if the billing accurately reflected the Gas DSIC Rate component. No discrepancies were found.

The semi-annual Gas DSIC revenue requirement for this Docket was \$681,369.<sup>1</sup> During this Docket's effective time period, the Company collected \$703,444 in Gas DSIC revenues.

Therefore, Staff recommends that the Gas DSIC Rate of 6.31% in effect from July 1, 2020 through September 20, 2020, be approved as final.

Staff recommends that the Commission approve the conditional rates from PSC Order Nos. 9513 and 9609 as final 2020 Gas DSIC Rates for the associated time periods and that the Commission close Docket Nos. 19-0791 and 20-0345.

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<sup>1</sup> Delmarva calculates the semi-annual revenue requirement as \$643,394, based on a difference in its reconciliation method. The parties are currently in discussions regarding the disparity as part of Docket No. 21-0408. The difference in methods, however, does not affect the Commission's closing of the two instant dockets.